

MINUTES OF THE SPECIAL MEETING
OF THE CITY COUNCIL OF THE
CITY OF BURLINGTON
May 30, 2007
8:30 A.M.

The City Council of the City of Burlington held a special meeting in the Council Chamber, Municipal Building, 425 South Lexington Avenue, Burlington, N. C., 27216-1358, on May 30, 2007, at 8:30 a.m.

Mayor Stephen M. Ross presided

Councilmembers present: Mayor Ross, Councilmembers Jones, Huffman and Starling

Councilmembers absent: Wall

Harold Owen, City Manager, present

Robert M. Ward, City Attorney, present

Jondeen D. Terry, City Clerk, present

INVOCATION: Councilmember Don Starling

Mayor Ross announced that the City Council would consider authorizing a loan by Capital Bank to the Burlington Alamance Airport Authority pursuant to Section 4(1-a) of the Burlington Alamance Airport Authority's enabling legislation.

City Manager Owen introduced Mr. Brian Gavigan, secretary and legal counsel to the Burlington Alamance Airport Authority. He stated that the airport authority is considering two loans from Capital Bank in Alamance County. He said the airport's enabling legislation, as a condition precedent to loans of this type requires the consent of the City Council and of the Alamance County Commissioners. Mr. Gavigan distributed a summary of the loans.

Mr. Gavigan explained that the lender is Capital Bank but that there are eight banks participating in the participation loan. He said that Capital Bank is the point bank and that on the promissory note, Capital Bank would be listed as the lender.

Mr. Gavigan described Loan #1 and Loan #2 as summarized below.

Loan #1 Summary

<u>Borrower:</u>	Burlington Alamance Regional Airport
<u>Lender:</u>	Capital Bank
<u>Loan Amount:</u>	\$5,000,000
<u>Loan Purpose:</u>	Purchase of approximately 120 acres adjacent to the Airport for runway extension and possible site for economic development
<u>Interest Rate:</u>	Capital Bank's Prime Rate plus one-eighth of one percent (8.125%)
<u>Repayment Terms:</u>	First 18 months are interest only. After the interest-only period, payments will consist of interest paid quarterly, plus annual principal reductions beginning 12 months from the end of the interest-only period, such principal reductions being equal to a minimum of 10% of the outstanding principal balance of the loan at the end of the first 18 months.
<u>Collateral:</u>	<ul style="list-style-type: none">• The purchased land• Public funding from state, federal, and local sources above current funding levels and commitments• Negative pledge on the Airport proper

Loan #2 Summary

<u>Borrower:</u>	Burlington Alamance Regional Airport
<u>Lender:</u>	Capital Bank
<u>Loan Amount:</u>	\$6,000,000
<u>Loan Purpose:</u>	Infrastructure and site development of 120 acres purchased pursuant to Loan #1
<u>Interest Rate:</u>	Capital Bank's Prime Rate plus one-eighth of one percent (8.125%)
<u>Repayment Terms:</u>	First 18 months are interest only. After the interest-only period, payments will consist of interest paid quarterly, plus annual principal reductions beginning 12 months from the end of the interest-only period, such principal reductions being equal to a minimum of 10% of the outstanding principal balance of the loan at the end of the first 18 months.
<u>Collateral:</u>	<ul style="list-style-type: none">• The purchased land• Public funding from state, federal, and local sources above current funding levels and commitments• Negative pledge on the Airport proper

Mr. Gavigan asked for consent from the City Council to move forward with the loan.

Mr. Huffman explained that the Airport Authority is not an advisory board. He stated that the enabling legislation describes that in full detail. Mr. Huffman pointed out that the City of Burlington would not be putting up assets nor will it be guaranteeing either of the loans.

Councilmember Starling asked if the negative pledge of the airport property would encumber the 120 acres, and Mr. Gavigan answered that the negative pledge meant that the airport proper might not be encumbered but that they were offering the 120 acres as collateral.

Mr. Tom Boney, Alamance News, asked for the names of the other eight banks participating in the loan.

Mr. Gavigan replied Vantage South, Wachovia, BB&T, Bank of the Carolinas, Capital, Mid-Carolina, Sun Trust, Randolph and Fidelity.

Mr. Boney pointed out that Mr. Randy Cary is the president and CEO of MidCarolina Bank and asked what assurances the Airport Authority could offer to ensure there is no conflict of interest between his bank's participation with this loan, which they are requesting authority from the City Council, and his position as chairman of the Burlington- Alamance Airport Authority.

Mayor Ross responded that was beyond the scope of the City Council.

Mr. Boney reiterated that the City Council was asked to endorse the loan as a package and that there was a question of an appearance of a potential conflict of interest by virtue of the participation of one of the banks with the chairman of the board. While it is not an advisory board, it is subject to joint appointment from the City Council and County Commissioners and in essence the Airport Authority was asking the City's endorsement for its actions.

Councilmember Starling stated that the agreement was basically with Capital Bank and the others were participants.

Mr. Boney asked who insisted on the provision that states that public funding from state, federal, and local sources are above current funding levels and commitments and how was it negotiated. He said that Mr. Cary serves two hats and that it seemed to be a question in terms of the loan having as part of its requirement increased funding. He stated that a request had been made to the City Council for an additional \$140,000 during the next fiscal year and a request has been made to the County Commissioners for an additional \$230,000 and this is an increase from what the current level of funding has been by the two bodies. He said the question is which came first and who structured and included that provision which is rather a significant addition by the City of Burlington and the County Commissioners which apparently came at the request of these banks collectively.

Mr. Huffman said that in the late 1970's and early 1980's, the City of Burlington was providing \$100,000 yearly. Mr. Huffman stated that the City Council recognizes that of the total economic development efforts of this county that funding to the extent of \$200,000 annually is in line, considering the importance that airport holds for Alamance County and that the City's funding level had been much higher in the past.

Mayor Ross stated that he expected the City's participation with the airport to increase substantially because there is a lot happening there and that the growth at the airport is good for the business economy of Burlington.

Councilmember Jones asked Mr. Boney if he was suggesting that the extension of the runway would not be something good economically for the community. Mr. Jones stated that \$200,000 was a good investment in the community because the CEO's and executives are using private planes. He pointed out that the extension of the runway, which is dirt, has a big hole that needs to be filled.

Mr. Huffman stressed that the City was not pledging any City-owned property and not pledging any designated source of funding of general tax dollars.

Mr. Boney stated that the increased appropriation for this upcoming fiscal year is what is being sought by the Airport Authority from the County Commissioners and City Council and that part was in essence a prerequisite to the approval of this loan in terms of the bank's eyes. He said the key is the additional words "and possible site for economic development" and that a very small piece of these 120 acres is for the actual runway extension and that the bulk of this project is for the possible site for economic development. He said that was an issue the Airport Authority has been involved in for some months, possibly a year or more, and while they have not divulged the identity of the particular industry that is interested in it, it had been widely reported that industry was a division of Honda that builds aircraft engines. He further stated that in essence, the \$5 million was for the purchase of the acreage and the second loan for \$6 million was for infrastructure and site development but that both were using the land that was being purchased as collateral. He said that the land

was clearly a large obligation that goes far beyond the collateral that the airport actually has in terms of land.

Councilmember Jones responded that his understanding was that it was to move dirt. He explained that the funding request is on a year-to-year basis and that the City is not guaranteeing or pledging anything but that the Airport's enabling legislation states that the City Council has to authorize it and that it also states that if the land is sold or disposed of, the Airport Authority would have to come before the County Commissioners and the City Council.

Mr. Boney asked if this was a request that represents the Burlington-Alamance Airport Authority and if so when that board acted to make this request to the City Council.

Mr. Gavigan stated that at the monthly May meeting, the general parameters of the possible loan were described. He said he talked with the board about the need to get consent before it formally approved the loan.

Councilmember Huffman asked when the Airport Authority would take action, and Mr. Gavigan said there was a called special meeting on May 31, 2007, at 3:00 PM to act on the loan.

Mr. Boney asked the date of the May meeting, and Mr. Gavigan replied that the board met on May 9, 2007.

Upon motion by Councilmember Jones seconded by Councilmember Starling, it was resolved unanimously to provide consent under Section 4(1-a) of the enabling legislation of the Burlington Alamance Airport Authority to approve the request to borrow the money.

ADJOURN:

Upon motion by Councilmember Jones, seconded by Councilmember Starling, it was resolved unanimously to adjourn.

Jondeen D. Terry
City Clerk